

RECEIVED  
LEGISLATIVE AUDITOR  
04 DEC 28 PM 2:01

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana  
Annual Financial Report and Independent Auditors' Report  
Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-05

## CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-7
INDEPENDENT AUDITORS' REPORT	8-9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of net assets	12
Statement of activities	13
FUND FINANCIAL STATEMENTS	
Balance sheet-governmental fund	15
Reconciliation of the balance sheet-governmental fund to the statement of net assets	16
Statement of revenues, expenditures and changes in fund balance- governmental fund	17
Reconciliation of the statement of revenues, expenditures and changes in fund balance-governmental fund to the statement of activities	18
NOTES TO BASIC FINANCIAL STATEMENTS	19-27
OTHER SUPPLEMENTAL INFORMATION	
Schedule of General Government Expenditures- Governmental Fund	29
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	30-31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32

## CITY COURT OF SULPHUR IN AND FOR WARD FOUR

### Management's Discussion and Analysis

Within this section of the City Court of Sulphur in and for Ward Four (City Court) annual financial report, the City Court's management is pleased to provide this narrative discussion and analysis of the financial activities of the City Court for the fiscal year ended June 30, 2004. The City Court's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### FINANCIAL HIGHLIGHTS

- The City Court's assets exceeded its liabilities by \$549,469 (net assets) for the fiscal year reported.
- Total revenues of \$1,331,059 exceeded total expenses of \$1,299,392, which resulted in a current year surplus of \$31,667.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$44,197 include equipment, net of accumulated depreciation. There is no outstanding debt related to the purchase or construction of capital assets.
  - (2) Unrestricted net assets of \$505,272 represent the portion available to maintain the City Court's continuing obligations to creditors.
- At the end of the current fiscal year, unreserved net assets were 39% of total expenses and 39% of total revenues.
- Overall, the City Court continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

#### OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the City Court's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City Court also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available. All applicable tables will present comparative data in fiscal year 2005.

## CITY COURT OF SULPHUR IN AND FOR WARD FOUR

### Management's Discussion and Analysis (Continued)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City Court's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City Court's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City Court's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City Court as a whole is improving or deteriorating. Evaluation of the overall health of the City Court would extend to other nonfinancial factors such as diversification of the revenue base, or the condition of City Court infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City Court's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City Court's distinct activities or functions on revenues provided.

Both government-wide financial statements distinguish governmental activities of the City Court that are principally supported by other revenues and from activities that are intended to recover all or a significant portion of their costs through user fees and charges.

#### FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City Court uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City Court's most significant funds rather than the City Court as a whole.

The City Court has one kind of fund:

*Governmental fund* is reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City Court's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

## CITY COURT OF SULPHUR IN AND FOR WARD FOUR

### Management's Discussion and Analysis (Continued)

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

#### FINANCIAL ANALYSIS OF THE CITY COURT AS A WHOLE

The City Court implemented the new financial reporting model used in this report beginning with the current fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City Court as a whole.

The City Court's net assets at fiscal year-end are \$549,469. The following table provides a summary of the City Court's net assets:

Assets:	
Current assets	\$ 516,064
Capital assets, net	<u>44,197</u>
Total assets	560,261
Liabilities:	
Current liabilities	<u>10,792</u>
Net assets:	
Investment in capital assets	44,197
Unrestricted	<u>505,272</u>
Total net assets	<u>\$ 549,469</u>

The City Court continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 47.8 to 1. Net assets increased by \$31,667 for the current year. Note that approximately 8% of the net assets are tied up in capital. The City Court uses these capital assets to provide services to its recipients.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR

Management's Discussion and Analysis (Continued)

Since this is the first year in which government-wide information is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years. The following table provides a summary of the City Court's changes in net assets:

Revenues	\$ 1,331,059
Expenses	<u>1,299,392</u>
Change in Net Assets	31,667
Beginning Net Assets	<u>517,802</u>
Ending Net Assets	<u>\$ 549,469</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City Court's investment in capital assets, net of accumulated depreciation as of June 30, 2004, was \$44,197. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Non-depreciable assets:	
Land	\$ <u>          -</u>
Depreciable assets:	
Equipment	147,075
Less accumulated depreciation	<u>102,878</u>
Book value-depreciable assets	<u>\$ 44,197</u>
Percentage depreciated	<u>70 %</u>
Book value-all assets	<u>\$ 44,197</u>

Long-term debt

At the end of the fiscal year, the City Court had no debt.

## CITY COURT OF SULPHUR IN AND FOR WARD FOUR

### Management's Discussion and Analysis (Continued)

#### ECONOMIC CONDITIONS AFFECTING THE CITY COURT

Since the primary revenue stream for the City Court is court costs, the City Court's revenues are subject to changes in the court system.

#### CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City Court's finances, comply with finance-related laws and regulations, and demonstrate the City Court's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Court's Clerk, Dee Davis, 802 S. Huntington Street, Sulphur, LA 70663.



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.  
MICHELLE BOURNE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
JULIA W. PORTUS, C.P.A.  
MELONIE H. HIMEL, C.P.A.

## INDEPENDENT AUDITORS' REPORT

December 3, 2004

Honorable Charles Schruppf, Judge  
City Court of Sulphur in and for Ward Four  
Sulphur, Louisiana

We have audited the accompanying basic financial statements of the governmental activities of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, a component unit of the City of Sulphur, Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the City of Court of Sulphur in and for Ward Four, Sulphur, Louisiana, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B to the basic financial statements, the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments; Omnibus, Statement No. 38 Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. This results in a change in the format and content of the basic financial statements.



City Court of Sulphur in and for Ward Four  
December 3, 2004  
Page Two

The Management's Discussion and Analysis on pages 3 through 7, respectively, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2004, on our consideration of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Gragson, Casiday & Guillory*

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Statement of Net Assets

June 30, 2004

ASSETS

Cash	\$ 155,035
Restricted cash	361,029
Capital assets, net	<u>44,197</u>
Total assets	<u>560,261</u>

LIABILITIES

Accounts and other accrued payables	10,792
-------------------------------------	--------

NET ASSETS

Invested in capital assets, net of related debt	44,197
Unrestricted	<u>505,272</u>
Total net assets	<u>\$ 549,469</u>

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Statement of Activities

Year Ended June 30, 2004

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for Operating Grants Services and Contributions	<u>Net Revenues (Expenses) and</u> <u>Changes in Net Assets</u> Governmental Activities
Governmental Activities: General government	\$ 1,299,392	\$ 1,326,519	\$ 27,127
		General Revenues: Miscellaneous Interest	1,051 3,489
		Total General Revenues	<u>4,540</u>
		Change in Net Assets	<u>31,667</u>
		Net Assets, beginning	<u>517,802</u>
		Net Assets, ending	<u>\$ 549,469</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Balance Sheet – Governmental Fund

June 30, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 155,035	\$ 160,118
Restricted assets:		
Cash	<u>361,029</u>	<u>346,201</u>
Total Assets	<u>\$ 516,064</u>	<u>\$ 506,319</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 33	\$ 2,651
Payable from restricted assets:		
Bail bonds payable	<u>10,759</u>	<u>9,848</u>
Total Liabilities	<u>10,792</u>	<u>12,499</u>
Equity:		
Fund balance:		
Reserved	350,270	336,353
Unreserved-undesignated	<u>155,002</u>	<u>157,467</u>
Total Equity	<u>505,272</u>	<u>493,820</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 516,064</u>	<u>\$ 506,319</u>

The accompanying notes are an integral part of the basic financial statement.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Reconciliation of the Balance Sheet – Governmental Fund  
to the Statement of Net Assets

June 30, 2004

Total fund balance for governmental fund at June 30, 2004: \$ 505,272

Total net assets reported for governmental activities in the statement of  
net assets is different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds. Those assets consist of:

Capital assets, net of \$102,878 accumulated depreciation 44,197

Total net assets of governmental activities at June 30, 2004 \$ 549,469

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Statement of Revenues, Expenditures and Changes  
in Fund Balance – Governmental Fund

Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Civil fees	\$ 123,723	\$ 121,890
Court costs	723,343	738,043
Fines	419,618	460,734
Building fees	59,835	-
Interest income	3,489	5,255
Miscellaneous	<u>1,051</u>	<u>2,485</u>
Total Revenues	1,331,059	1,328,407
<b>EXPENDITURES</b>		
General government	270,299	275,923
Capital outlay	<u>33,500</u>	<u>16,794</u>
	303,799	292,717
Transfers out:		
Calcasieu Parish District Attorney	49,100	61,728
Calcasieu Parish Sheriff	24,940	36,120
City of Sulphur	261,735	271,492
Indigent Defender Fund	190,056	207,724
La. Commission on Law Enforcement	-	22,854
Library Fund	7,728	7,552
Louisiana Rehabilitation Services	26,400	29,715
Louisiana State Police Training Academy	10,757	8,025
Parish of Calcasieu	207,248	209,479
Southwest Regional Crime Lab	51,085	50,738
Supreme Court of Louisiana	10,738	11,943
Crime Stoppers	10,464	9,264
Ward 4 Marshall	128,004	102,283
City of Westlake	826	3,025
Other agencies	<u>36,727</u>	<u>11,697</u>
Total Expenditures	<u>1,319,607</u>	<u>1,336,356</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	11,452	(7,949)
<b>FUND BALANCE-BEGINNING OF YEAR</b>	<u>493,820</u>	<u>501,769</u>
<b>FUND BALANCE-END OF YEAR</b>	<u>\$ 505,272</u>	<u>\$ 493,820</u>

The accompanying notes are an integral part of the basic financial statements.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Reconciliation of the Statement of Revenues, Expenditure  
and Changes in Fund Balance-Governmental Fund to the  
Statement of Activities

Year Ended June 30, 2004

Total net changes in fund balance at June 30, 2004 per  
Statement of Revenues, Expenditures and Changes in Fund Balance \$ 11,452

The change in net assets reported for governmental activities in the  
statement of activities is different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives and reported as  
depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 33,500	
Depreciation expense for the year ended June 30, 2004	<u>(13,285)</u>	<u>20,215</u>

Total changes in net assets at June 30, 2004 per Statement  
of Activities \$ 31,667

The accompanying notes are an integral part of the basic financial statements.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Court of Sulphur in and for Ward Four was created under the authority of LSA-RS 13:1871-2512 and is a City/Ward Court handling traffic and misdemeanor criminal matters, civil matters with money jurisdiction not exceeding \$20,000 and juvenile matters.

1. Reporting Entity

The City Court judge is an independently elected official. However, the City Court is fiscally dependent on the City of Sulphur, Louisiana for office space, court rooms, partial funding of salary costs and other operating expenses. Because the City Court is fiscally dependent on the City, the City Court was determined to be a component unit of the City of Sulphur, Louisiana, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Sulphur, Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accompanying basic financial statements of the City Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City Court as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through costs, intergovernmental revenues, and other nonexchange revenues.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the City Court's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the City Court; and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The City Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

The City Court has one fund, the General Fund, which is therefore considered its major fund.

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, the activities are presented using the economic resources measurement focus. In the fund financial statements, the "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

In the government-wide statement of net assets and statement of activities, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

4. Cash

Cash includes amounts in demand deposits and interest-bearing demand deposits, as well as short-term investments with an original maturity date of 90 days or less. State statutes authorize the City Court to invest in obligations of the U.S. Treasury, U.S. Government Agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the City Court has \$641,256 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$441,256 of pledged securities held by the custodial bank.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Restricted Assets

Restricted assets on the balance sheet represent amounts which have accumulated in accordance with bail bonds, accrued judicial fees, fines and civil proceedings deposits.

6. Legal Compliance - Budgets

The City Court does not prepare a budget, based on an Attorney General's opinion issued in 1980, which stated Courts were exempt from the Local Budget Act. Therefore, the budgetary comparison schedule-general fund is not presented.

7. Capital Assets

Capital assets, which includes equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	3-7 years
-----------	-----------

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the Governmental Fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. In accordance with the provisions of Statement Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

taken as “terminal leave” prior to retirement. At June 30, 2004 the City Court’s liability for compensated absences could not be reasonably estimated.

9. Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or *other borrowings that are attributable to the acquisition, construction, or improvement of those assets.*
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

10. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2004, the City Court has implemented GASB Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting the City Court's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The City Court also implemented GASB Standard No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Standard No. 34 caused the opening fund balance at June 30, 2003 to be restated in terms of "net assets" as follows:

Total fund balance-Governmental Fund at June 30, 2003		\$ 493,820
Add: Cost of capital assets at June 30, 2003	\$ 113,575	
Less: Accumulated depreciation at June 30, 2003	<u>89,593</u>	<u>23,982</u>
Net assets at June 30, 2003		<u>\$ 517,802</u>

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 follows:

	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Equipment	\$ 113,575	\$ 33,500	\$ -	\$ 147,075
Less accumulated depreciation for:				
Equipment	<u>89,593</u>	<u>13,285</u>	<u>-</u>	<u>102,878</u>
Governmental activities capital assets, net	<u>\$ 23,982</u>	<u>\$ 20,215</u>	<u>\$ -</u>	<u>\$ 44,197</u>



CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE D – PENSION PLANS

Substantially all employees of the City Court are eligible to participate in the Municipal Employees' Retirement System. The Judge is eligible to participate in the Louisiana State Employees' Retirement System.

1. Municipal Employees Retirement System of Louisiana (System)

*Plan Description.* Substantially all employees of the City Court are eligible to participate in the Municipal Employees' Retirement System, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City Court are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable services, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The current rate is 11.00% of annual covered payroll. The City Court contributions to the System under Plan A for the year ended June 30, 2004 was \$5,507.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE D – PENSION PLANS - CONTINUED

2. Louisiana State Employees' Retirement System

*Plan Description.* The Judge of the City Court of Sulphur, is a member of the Louisiana State Employees' Retirement System, a cost-sharing, single-employer defined benefit pension plan administered by a separate board of trustees.

Any person legally occupying a position in state service except those specifically excepted from participation are eligible to participate in the System.

Eligibility for retirement benefits includes written applications to the Board and Member has attained age 60 and 10 years of accredited service, or age 55 and 25 years of accredited service, or at any age and 30 years of accredited service. Certain members of the Department of Public Safety and Corrections, 20 years of accredited service at any age (age 50 if employed after August 15, 1986, 20 years of service). Service as a judge or court officer, 18 years of creditable service regardless of age, or age 50 and 20 years of accredited service, or age 55 and 12 years of accredited service, or age 70 without regard to accredited service. Members of the legislature, governor, lieutenant governor and state treasurer, 16 years of such service without regard to age, or age 50 with 20 years of accredited service with 12 years of such service, or age 55 with 12 years of such service.

Annual pension is equal to 2 ½ percent of average compensation for each year of creditable service, plus \$300 supplemental benefit; equal to 3 ½ percent of average compensation for each year of creditable service as a judge or court officer; equal to 3 ½ percent of average compensation for each year of creditable service as a legislator, governor, lieutenant governor, employees of the legislature or state treasurer.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, LA, 70804-4213.

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Notes to Financial Statements

June 30, 2004

NOTE D – PENSION PLANS - CONTINUED

*Funding Policy.* Members are required by state statute to contribute 11.5 percent of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The current rate is 13.0 percent of annual covered payroll. The City Court's contributions to the System for the year ending June 30, 2004 was \$3,845

NOTE E – RISK MANAGEMENT

The City Court is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City Court maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City Court. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

OTHER SUPPLEMENTAL INFORMATION

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Schedule of General Government Expenditures-Governmental Fund

Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>
Attorney, witness and curator fees	\$ 3,185	\$ 3,230
Audit fees	5,000	5,105
Bank charges	479	1,279
Civil fees-Judge and Marshall	42,773	44,249
Clerical	75,869	56,387
Contract labor	1,190	17,946
Conventions and seminars	15,201	11,729
Court cost refunds	13,942	13,371
Dues	695	845
Insurance	-	900
Janitorial services	7,919	7,826
Judge ad hoc	1,676	3,857
Legal advertising	480	759
Library	4,455	4,740
Miscellaneous	2,999	3,718
Miscellaneous services	11,151	18,204
Office supplies and expenses	35,828	35,060
Recordation of judgment	1,485	5,585
Repairs and maintenance	12,298	12,302
Retirement funds – Clerical	5,507	3,545
Retirement funds – Judge	3,845	3,267
Supplementary state fees	15,940	16,459
Taxes	5,127	2,979
Telephone	2,868	2,118
Utilities	387	463
	<u>\$ 270,299</u>	<u>\$ 275,923</u>



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE BOURNE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.

JULIA W. PORTUS, C.P.A.  
MELONIE H. HIMEL, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 3, 2004

Honorable Charles Schrupf, Judge  
City Court of Sulphur in and for Ward Four  
Sulphur, Louisiana

We have audited the basic financial statements of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, a component unit of the City of Sulphur, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City Court of Sulphur in and for Ward Four's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Court of Sulphur in and for Ward Four's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City Court of Sulphur in and for Ward Four's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-01.

Honorable Charles Schrumpf, Judge  
City Court of Sulphur in and for Ward Four  
Sulphur, Louisiana  
December 3, 2004  
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, the City Council of the City of Sulphur, Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Gragson, Casiday & Guillory*

CITY COURT OF SULPHUR IN AND FOR WARD FOUR  
Sulphur, Louisiana

Schedule of Findings and Questioned Costs

June 30, 2004

We have audited the basic financial statements of the City Court of Sulphur in and for Ward Four as of and for the year ended June 30, 2004 and have issued our report dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Summary of Auditors' Report

Internal control over financial reporting:

Material weakness(es) identified?             yes             no

Reportable condition(s) identified that are  
not considered to be material weakness(es)?    yes             none reported

Noncompliance material to financial statements  
noted?     yes             no

Financial Statement Findings

2004-01:

Description: Because of the lack of a large staff, more specifically accounting personnel, there is a lack of sufficient segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements, and reconciling the bank statements. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the City Court. We recommend that the Judge take an active role in the review of all of the monthly financial information. This was also a prior year finding.

Corrective Action Planned: Continued oversight by the Judge

Contact Person: Judge Charles Schrupf

Federal Award Findings and Questioned Costs

N/A

Prior Year Audit Findings

Item 2003-01: Segregation of duties --due to lack of sufficient financial resources, this cannot be resolved